

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 56th LEGISLATURE - REGULAR SESSION

SELECT COMMITTEE ON JOBS AND INCOME

Call to Order: By Chairman Bob DePratu, on December 7, 1998, at 9:30 A.M., in Room 104.

ROLL CALL

Members Present:

Sen. Bob DePratu, SD 40, Chairman (R)
Rep. Karl Ohs, HD 33, Vice Chairman (R)
Sen. Jon Tester, SD 45, (D)
Sen. Lorents Grosfield, SD 13, (R)
Rep. Bruce Simon, HD 18, (R)
Rep. Emily Swanson, HD 30 (D)
Sen. Mike Taylor, SD 37 (R)
Rep. Doug Mood, HD 58, (R)
Rep. Carly Tuss, HD 46, (D)

Members Excused: Sen. Mignon Waterman, SD 26, (D)

Staff Present: Gordon Higgins, Legislative Services Division
Deb Thompson, Committee Secretary

Minutes are condensed and Paraphrased. Cross referencing can be done through tape notations.

Committee Meeting Dates:

Meeting Dates Posted 11/24/98

Subcommittee on Research
and Development

11/30/98, Room 104 8:00

**Select Committee on Jobs
and Income:**

11/30/98, Room 104 9:30

12/1/98, Room 325 8:30

Public Input

12/7/98, Room 104 9:30

12/8/98, Room 325 8:30

MEETING ON JOBS AND INCOME PROPOSALS

Chairman DePratu encouraged the committee to work diligently and quickly on issues that were possible and to bring together legislation for the beginning of the Session. He referenced the property guide to Jobs and Income Proposal, **EXHIBIT(joh00a01)**

Rep. Swanson discussed her views on an independent commission which would be independent of legislative authority. She said there was a need for a historical review as she did not recall prior executive reorganization. What if the boards function was independent, what were prior discussions on the issue? She pointed out the need to rethink this idea since the committee may be setting in motion a similar situation. She asked about other proposals outside the Governor's plan. She stressed the need for fair hearings.

Chairman DePratu pointed out prior hearings that were held on the topic. He said there was a need for predictability and stability since people expect business to increase as well as jobs and new markets. He said if we expect to maintain a stable structure, our job is to change taxation and other statutes to make this work for us.

Rep. Swanson asked for an explanation of the Comparison - General Fund - to Executive Budget chart. **EXHIBIT(joh00a02)** Clayton Schenck from the Legislative Fiscal Division explained the chart was a summary comparison related to the Jobs and Income brochure. He said it listed the items in the Jobs and Income package and compared them to the executive budget. The numbers are doubled, representing the biennium. Rep. Swanson asked for clarification of the 6 million under the universities and how was tuition assistance related to economic development.

Rep. Swanson discussed the way the committee would handle the legislation. Chairman DePratu noted these would be taken directly to the floor, however, if the legislation needed more work they would need to go to the appropriate committee. Rep. Swanson stressed the need for other committee input since there was a great deal of money attached to each proposal.

{Tape : 1; Side : A; Approx. Time Counter : 18.4}

Sen. Taylor emphasized the reason for the committee work was to make changes that would create jobs for Montana families quickly. He said the funds are in the budget already. Rep. Swanson replied every other request was in the budget as well. She noted these were not instant jobs but rather an investment in the future of the state. Rep. Swanson asked why any of the proposals would be one time funding that would sunset in two years. She pointed out the need to look at long term investment for the future of the state. The full body of the legislature needed to consider this a priority; was it worth more than the pressures in Medicaid, for example. She said you can't take money off the top and expect the Governor to sign it. You cannot bypass the process. In terms of appropriation, funding has to be in the bill if there is direct spending attached.

Chairman DePratu said this would work out. Sen. Taylor agreed about the need for long term solutions. He said some proposals could be agreed on quickly but some would need more research. He noted the purpose of the select committee was to do some of the background work and report to the whole body. Rep. Ohs pointed out that some of the proposals were simple. He said legislation needed to be passed right away or economic development could be lost in the process.

{Tape : 1; Side : A; Approx. Time Counter : 27.2}

Rep. Tuss discussed her experience on the Select Committee on Health Care in 1995. She said this committee cannot assume the wisdom of the entire state. They cannot corrupt the process. Montanan's need to be notified and be given their opportunity for input.

Rep. Simon agreed that the committee could not change the whole process but rather needed to review bill drafts and make recommendations.

Rep. Mood observed that the proposals were not just investing but in view of Montana's position with that of other states in the national economy, the need for immediate action was urgent. He said we could not allow the opportunity to pass but rather quick action was necessary even if it was symbolic. Rep. Swanson said she supported the symbolic aspect. She said the bills needed to be reviewed after they were drafted since some of these topics were complex. Rep. Tuss said she was opposed to subverting the legislative process but said it was possible to utilize the rules to move the bills up in the calender.

Rep. Simon addressed the two year funding issue. He pointed out that this needed to be the case because the next legislature could not be obligated to continue the funding. However, a system and process for economic development could be set in place. Rep. Swanson pointed out the proposals were designed to be funded one time. She noted the 30 million dollar Montana Power capital gains may or may not exist. The revenue estimates for this biennium were 26 million below what the executive budget needed and if the capital gains did not materialize it would be 56 million short.

{Tape : 1; Side : A; Approx. Time Counter : 38.4}

Rep. Tuss handed out an article she copied for committee members, The Empire of the Pigs regarding corporate welfare from Time magazine, November 39, 1998. **EXHIBIT(joh00a03)**

EXECUTIVE ACTION

I. Irrigation and Infrastructure Bonds and Grants

Chairman DePratu brought the committee's attention back to the Jobs and Income Proposals, Exhibit 1: I. Irrigation and Infrastructure Bonds and Grants.

Rep. Ohs described the list. He said they were grouped into manageable chunks. The first three on the list were not ready or required a two thirds vote and should be deferred. Sen. Tester asked if this should be referred to committee with no recommendation. Chairman DePratu clarified these needed more time.

{Tape : 1; Side : A; Approx. Time Counter : 42.3}

I. IRRIGATION AND INFRASTRUCTURE BONDS AND GRANTS

- 1. DNRC Bonds for Irrigation Equipment**
- 2. DNRC Renewable Resource grants**
- 3. Regional Water Systems**

Rep. Simon said the first three items did not have enough information and should be dealt with in the regular legislative process.

{Tape : 1; Side : A; Approx. Time Counter : 44.5}

Rep. Simon **MOVED** that roman numeral I. 1,2,3, be left with no recommendation from this committee.

Sen. Taylor said he concurred but the committee needed to put a positive spin on the proposals. He said these issues had merit but needed study for a full review. Rep. Simon said he understood the concept but needed answers to questions. The proposals would have no recommendation but would have a chance to go through the process. Sen. Taylor noted the importance of putting these through the fast tract but not allowing them to get lost.

Sen. Taylor **MOVED TO AMEND THE MOTION.** He moved to recommend the proposals, collecting more information, but to put them on the fast track and allow their priority over other bills for introduction.

{Tape : 1; Side : A; Approx. Time Counter : 47.5}

Rep. Swanson asked where these issues were in the drafting process. Anna Miller, Department of Natural Resources and Conservation, said the bills were near completion and the department was looking for sponsors, one being Rep. Bergsagel the Chairman of the Long Range Planning Subcommittee.

Rep. Swanson asked that the draft be looked at by request of the committee, have Rep. Bergsagel be the sponsor but be identified as this committee's piece of work. Miller said this legislation was identified as HB 6, 7, and 8. She said there may need to be some revision to incorporate the committee request.

Sen. Grosfield pointed out the committee would meet again for the purpose of review. The committee would like to see the bill drafts for the next meeting. A recommendation cannot be made without the opportunity to see the bill drafts. Rep. Simon said he would be willing to withdraw his motion if Sen. Taylor withdrew his. Sen. Taylor said if the three items would be held for further consideration he would withdraw his motion.

{Tape : 1; Side : A; Approx. Time Counter : 53.4}

Rep. Swanson asked what the process was to have the committee request the bill. Gordon Higgins said the rules could be amended to have this happen. He clarified which bills were in the draft process.

Sen. Grosfield asked if the committee should make recommendations to the Rules Committee to accommodate what the committee wants. Even these bills requested by another member should have the by-line "at the request of the jobs and income committee" to show the committee supported the concept.

Sen. Grosfield **MOVED** that this committee make this recommendation to the Rules Committee that any concept recommended have the by-line included.

The vote was taken. The motion **PASSED** unanimously.

I. 4. Treasure State Endowment Program

Chairman DePratu asked the committee if this should be set aside to allow questions to be resolved. Rep. Swanson noted that the League of Cities and Towns had some minor legislation to make this an annual appropriation rather than a biennial. Peter Blouke clarified that this had been requested but a sponsor had not been found. Sen. Taylor asked that this proposal be put off until tomorrow so there would be time to get additional information.

II. Taxation Proposals

Chairman DePratu discussed the need for more thought. He said there were some good ideas but big issues such as taxation or the VentureStar Proposal would be controversial and needed to go

through the process. He asked the committee to defer these items for further consideration.

Sen. Grosfield asked when the committee could expect to see the bill drafts. Peter Blouke said many of these would need to be requested by the committee. Rep. Ohs said he had spoken to Greg Petesch and Speaker Mercer who told him because of the timing of the proposals, changes could be made in the Rules Committee. Sen. Grosfield noted the Rules Committee would meet December 18.

Rep. Swanson pointed out the lag time and that a by-line "at the request of the Select Committee on Jobs and Income" should be included in the request.

Sen. Grosfield said he would recommend to the Rules Committee to accommodate what the committee wanted, which is to have the by-line "recommended by the Jobs and Income Committee", even those requests by other legislators that were related.

Sen. Grosfield **MOVED** to recommend to the Rules Committee that any concepts recommended go forward with the by-line, "at the request of the Jobs and Income Committee" whether requested by another legislator or not.

The vote was taken. The motion **PASSED unanimously**.

Rep. Swanson asked Dave Lewis about the 6 million designated as economic development through tuition assistance and how was that considered economic development. Lewis discussed how this money had been blocked off for the economic development package but the universities felt they could have a better use of that money such as a match for research. It was left in the package even though it was not the right fit for the university. He said it could be argued that increasing the ability of the university to attract research had some bearing on employment opportunities. Also, an increase in school enrollment has a positive impact on the Montana economy.

Sen. Grosfield said regarding II. 1, 2, 3, and 4 these items should go to the respective committees. Rep. Swanson said it would be important to look at the bill drafts first, prior to the Session, to either endorse with the by-line or refer to committees.

{Tape : 1; Side : B; Approx. Time Counter : 15.1}

Sen. Grosfield said in order to look at these, he **MOVED** to draft #2 and #4, the Income Tax Credit for Job Training and the Low Income House Tax Credit.

The vote was taken. The motion **PASSED** unanimously.

Small Employer Health Insurance Tax Credit

Rep. Swanson **MOVED** to include the Small Employer Health Insurance Tax Credit bill to Roman Numeral II, and to include the by-line "recommended by the Select Committee on Jobs and Income".

{Tape : 1; Side : B; Approx. Time Counter : 18}

Rep. Swanson explained the tax credit would be aimed at employers with 2-9 employees and be a three year incentive. She proposed this be funded out of the tobacco settlement. She pointed out the benefits for the economic development in that it would improve benefits of employees and assist small employers.

Sen. Tester seconded the motion. Sen. Taylor asked if new bills should be introduced into the committee. Chairman DePratu recommended the committee be open to new ideas since this was the time to hear them.

Rep. Swanson noted this was a good opportunity to make a statement. She said the committee should not limit itself to just the Governor's proposals. Sen. Grosfield said he supported the motion and suggested other economic development ideas could be entertained. Rep. Ohs agreed but pointed out the need to narrow the focus into economic development only. He said it was important to get the tax issues on the table to be able to see the impact. Rep. Simon emphasized the committee's charge was for jobs and income. Health insurance helps and should be included as part of the draft.

The vote was taken. The motion **PASSED** unanimously.

III. Telecommunications Proposals

Chairman DePratu noted the need for more work on this proposal. Rep. Tuss asked about the bill that would allow business licensing to be processed electronically. Rep. Simon asked if this would allow the Secretary of State to allow electronic signatures. Sen. Grosfield asked how far along this proposal was. Rep. Tuss suggested this draft legislation be reviewed at the next meeting.

Rep. Ohs said the Use of Highway Right of Way funds and the Private Access to State Telecommunications Systems were probably not ready and would need more work.

Rep. Ohs **MOVED** to let #1 and #2 go through the process and #3, Electronic Commerce, bring to the next meeting.

Sen. Taylor talked about #2, private access to state telecommunications systems. He said they looked at small communities using Metnet and the costs were reasonable. He pointed out the fees of \$15 per hour to use video conferencing was a reasonable way to improve economic development. The plan had merit without competing with private business, like U.S. West. If this cut travel time it should be encouraged. It saves money for state government, taxpayers and helps businesses.

The question was called. The motion **PASSED** unanimously.

IV. Policy Issues

Chairman DePratu said the issues #1-7, should have committee action. Rep. Ohs **MOVED** to take items #1-7 and put them into a Resolution for consideration. Sen. Taylor seconded the motion.
{Tape : 1; Side : B; Approx. Time Counter : 35}

Committee Discussion

Rep. Swanson said these items were diverse in content. She was not sure a resolution would tie them together. Rep. Ohs wondered if this should be separated in two resolutions, one for marketing and one as a general economic statement.

Chairman DePratu commented this may have more impact in two. Sen. Taylor concurred. He said #7 was in process and #1 was critical. The Board of Investments should invest whenever possible, or take Vermont and trade it for Alberta. Chairman DePratu clarified this statement was in reference to a recent article that said Alberta was inclined to be a U.S. state.

Rep. Swanson referred to the article Empire of the Pigs. **Exhibit 3** She asked what was being done in Montana to get ahead in hog production. She noted problems experienced by other states when hog producers move in to neighborhoods and land values plummet.

Meta Boyer, Department of Agriculture, said this was addressed in the Vision 2005 Task Force. She said hog producers would not qualify for loans and grants unless they were from Montana. She said there was \$150 thousand dollar environmental assessment cost shared to ensure producers were environmentally safe. She noted the co-op in central Montana was Montana owned, exceeded environmental standards and were not harming the neighborhood.
{Tape : 1; Side : B; Approx. Time Counter : 39.8}

Rep. Simon asked about the dispute resolution process, if it was in HJR 10. Blouke replied that it was.

Sen. Sue Bartlett said this resulted from two recommendations from the task force that required legislation to implement.

Rep. Simon noted the increase in the Board of Investment loan participation was totally different than new markets for Pork, Beef and Sheep. He said he would like to see #7 and #1 on their own and include #2, 3, and 4 as a resolution.

Sen. Taylor discussed the concerns regarding the Board of Investments needing to take a more active role in loaning money to Montana businesses. Chairman DePratu clarified the board was authorized to loan 25% to Montana businesses but their portfolio only had 5-6% without changing the statute for them to look at investing in Montana.

{Tape : 1; Side : B; Approx. Time Counter : 45.3}

Sen. Tester said he was in support of the proposals but they needed to mention benchmarks in order to monitor their attainment.

Rep. Ohs asked the committee what they would like to do about #5 Tourism Signage and #6 Airline Strategic Plan. Chairman DePratu said the need for better signage was indicated as well as a consolidated effort to bring airlines into the state. He pointed out it was cheaper to fly to London than it was to Salt Lake.

Rep. Tuss said she would encourage the Tourism Advisory Council to use the Bed Tax. She said that the Airline Strategic Plan was important since conferences do not consider Montana due to the high expense of airline tickets here.

{Tape : 1; Side : B; Approx. Time Counter : 49}

Rep. Ohs **MOVED** to include 1-6 in one resolution and to leave #7 out. Rep. Tuss seconded the motion. She said to add to the amendment "surface transport" since attention to surface transportation was important to Montanans.

Rep. Simon discussed when the resolution was drafted, copies should be sent to Congress and Board of Investments. Rep. Ohs replied that first it should be sent to the Board of Investments, then airport managers. Rep. Tuss reminded them of the surface transportation issue, to be sent to the Department of Transportation and the Tourism Advisory Council.

Sen. Taylor noted the monetary savings in the resolution by combining the topics. He cautioned against wasting taxpayer dollars since each individual topic would cost about \$1000 each.

{Tape : 1; Side : B; Approx. Time Counter : 51.4}

Rep. Ohs **MOVED** TO AMEND THE MOTION that the committee request this resolution include surface transportation with items one through six.

The vote was taken. The vote **PASSED** 7-2 with Rep. Simon and Sen. Grosfield voting no.

Lunch break 11:30. Reconvened at 1:30 p.m.

Rep. Ohs clarified the confusion on the hearing process. He said public hearings would be held for bills that needed work. Rep. Tuss agreed this was important.

Sen. Tester asked if the development of commodities should be included under #4, new markets. Blouke replied the purpose of the resolution was to send a message to the Department. The marketing would come later. He said a joint resolution could indicate new markets be aggressively sought.

V. REGULATORY PROPOSALS

Rep. Tuss said last Session one stop licencing was initiated for grocery stores. She asked for an update on the pilot program. Blouke replied this was the single most successful step towards more friendly government for businesses. Blouke said this was a pilot program. There were no glitches. It was a difficult task and required interagency coordination. However, to expand the program some legislation would be necessary. It does not add additional funds, but it is done with existing staff and resources. It is a major step for the business friendly policy.
{Tape : 2; Side : A; Approx. Time Counter : 6.9}

Rep. Simon said this was a good idea and made good sense. He had concerns about access to the data base and whether the department was ready to back off in making home phones and addresses available.

{Tape : 2; Side : A; Approx. Time Counter : 7.8}

Blouke replied that the group was over enthusiastic but were careful about the privacy issue. He clarified the electronic commerce required an appropriation but not legislation. Sen. Taylor asked if this money was for updates in the software. Blouke replied it was, though this was in the third phase. He said there was some criticism about tracking complaints which would be dealt with in phase one. Sen. Taylor noted several states had this. He hoped the model would be tight about security and have a pin number access.

Sen. Taylor **MOVED** to consider a positive appropriation for #1, #2, and #3 and the committee agree to move these three items forward. Chairman DePratu clarified that seconds were not needed.

Sen. Tester asked about #3, customer service training. Blouke said this would allow for the organization of a training package. Each agency has an existing training budget, but there were hundreds of regulations. Sen. Tester asked why they were not doing this already. Blouke replied that it was important for specific training in dealing with the public as "enablers" rather than regulators. This was a shift in policy. Sen. Grosfield emphasized this was an opportunity to go beyond the current way of doing business. The bill would set out a policy of enabling, set it out for all regulating positions in state government. This was a paradigm shift where a policy statement put in the bill would make it happen.

Sen. Taylor said the shift in policy should be put in language to send a signal to the agencies. The atmosphere of friendly and helpful employees would be a change for the future.

{Tape : 2; Side : A; Approx. Time Counter : 20.7}

Blouke said it was difficult to craft legislation to make enablers, but other things like the training, would make this possible.

{Tape : 2; Side : A; Approx. Time Counter : 22.3}

Rep. Simon said this was money well spent. Rep. Mood asked if the current situation inhibited new business. Blouke said yes, there was lots of frustration in the field regarding employee attitudes. There was no formal training on customer service. This proposal would make it mandatory.

Sen. Taylor called for the Question, regarding the motion to approve #1, 2, and 3 of V, recommending appropriation. Rep. Swanson said the committee should request a draft first. Rep. Ohs asked how this could be wrapped as one. Sen. Taylor **WITHDREW** the motion.

{Tape : 2; Side : A; Approx. Time Counter : 33.8}

Rep. Simon suggested the committee send a letter to the Appropriations Committee as a way to deal with this issue. Chairman DePratu suggested requesting a bill draft on item #1. Rep. Swanson said they did not know what funding was needed.

Sen. Taylor noted there were two bills that would need appropriation. The committee should send a letter to the Appropriations Committee to recommend funding.

{Tape : 2; Side : A; Approx. Time Counter : 35.9}

Sen. Taylor **MOVED** to have the committee request a bill draft on item #1, One-Stop Licensing and Permitting. The motion **PASSED** unanimously.

Sen. Taylor **MOVED** to send a letter to the Appropriations Committee recommending funding for items #2 and #3 under V. Rep. Swanson said she did not understand the implications of CI-75 and the fund balances of the board.

The Question was called. The motion **FAILED** 5-4 with Grosfield, Ohs, Tester, Swanson and DePratu voting no.

Sen. Grosfield **MOVED** to tentatively support items #2 and #3 in regards to appropriations, and get more information later. He said he supported both concepts in items 2 and 3 but required more information on funding implications from CI-75 and where the 60 thousand dollars was coming from.

{Tape : 2; Side : A; Approx. Time Counter : 39.5}

The question was called. The motion **PASSED** with one no vote from Sen. Taylor.

VI FINANCE PROPOSALS

Board of Investments Infrastructure Loans

The committee discussed the Board of Investment infrastructure.

Rep. Swanson **MOVED** to draft a committee bill on item #1. She said the concept was to reduce the current loan limit so it could accommodate more people. Sen. Taylor **MOVED TO AMEND THE MOTION** to drop the thresh-hold from 25 to 15.

Chairman DePratu said this would allow more people to be involved. Peter Blouke said this would be valuable if the request included a statement "effective on passage" rather than July 1.

{Tape : 2; Side : A; Approx. Time Counter : 45}

Rep. Swanson **MOVED TO AMEND THE MOTION** to reduce to 15 and add "effective on passage".

Rep. Ohs asked if the committee should consider including other items in order to cut down on legislation.

{Tape : 2; Side : A; Approx. Time Counter : 45.7}

Rep. Simon commented that in item #1, the loans go to the local government to build infrastructure and they recover costs. For example, the company that is taking advantage of this has to guarantee they can pay the money back. If the loan is on sewer or water pipes, which are buried underground, they have no equity value if the Board of Investments needed to repossess for nonpayment on the loan. They really need good documentation to put that program together. The question is if you are going to lower the thresh-hold from 25 to 15, are you changing the thresh-hold on the amount of the loan that would go into the infrastructure from 250 thousand to 150 thousand at the same time to keep the same ratio intact, or are you talking about a minimum loan of 250 thousand. He pointed out the reason he was asking the question is the amount of time it takes the Board of Investments in putting a loan like this together, anything under \$250 thousand dollars would not be economically feasible. The law has a thresh-hold of \$10 thousand dollars per job. If you go down to 15 jobs you end up with a problem if the minimum loan would be \$250 thousand.

Blouke clarified it was \$10 thousand, but part of the proposal was to raise it to \$20 thousand per job created. If you are looking at infrastructure loans, which is what this is geared towards, you would not get much infrastructure for less than \$250 thousand dollars. The interest rate and loan amount is dependant on the average wage created. The higher the wage the lower the percentage.

The question was called. The motion **PASSED** unanimously.

Small Business Investment Companies

The committee discussed separating the items into other bills. Sen. Taylor pointed out there was a bill draft to change item #2, Small Business Investment Companies, which he was sponsoring. The LC number is 845. This would match the federal requirements to allow the state to participate in the venture capital programs. This bill draft can be reviewed at the next meeting.

Cooperative Development Center

Rep. Ohs asked for explanation of this item. Ralph Peck clarified the Cooperative Development Centers required matching funds. The center could be located anywhere but the proposal would go after the federal funds. The purpose of the centers is to go out and work with entrepreneurs in agriculture to develop new-age, farmer-owned cooperatives, such as a potato chip plant or building straw boards. A lot of these farmer-owned

cooperatives are involved in value added products and these centers would help them be successful.

Sen. Taylor said he would like to see the proposal of the board that overseas this.

Rep. Simon said there was \$300 thousand dollars of federal money to go after but this would create a bureaucracy that would go on and on and he could not support this.

{Tape : 2; Side : A; Approx. Time Counter : 62.1}

Sen. Tester asked what the long term goals were. He said he could see Rep. Simon's point of view. Peck replied this was one of the recommendations of the task force. This was an opportunity that would allow producers to participate and raise funding. Peck pointed out it was worth the state investment to obtain federal resources for the purpose of value added, Montana products. Rep. Simon asked if this \$300 thousand was an ongoing federal offer. Peck replied it was a competitive grant process and a request for extension would be needed or the source would dry up.

Randy Johnson, representing the Montana Grain Growers, discussed the development of the Montana Spring Wheat, closed co-op, and how they were going to build a plant in Atlanta, Georgia. One of the biggest hurdles they came across was this fact - this was a business structure foreign to the state of Montana. Montana laws are not friendly to co-ops. North Dakota has hundreds of closed cooperatives which enable people to form this type of business structure.

Peck discussed the grant process which had a lot of contract services available. The 1.5 FTE was projected. Rep. Ohs asked if there was legislation done. Peck said it only required authorization for the federal match dollars. Rep. Ohs described his experience with cooperatives. He said he shared the concern about the bureaucracy. He supported the concept but also the need for monitoring. He suggested to make sure it was not another bureaucracy but to support it in concept. Sen. Taylor agreed there was merit to the proposal but the creation of bureaucracy was a concern. Chairman DePratu suggested setting it aside for the time being.

Growth Through Agriculture

Sen. Grosfield asked about the current program funding. Peck replied the current program was originally funded at .76 of the Coal Tax interest income. Now they compete at 8 1/2%. The 2005

Task Force identified the need for seed money to build the industry of agriculture. The proposal would put one million per year general fund into the program for loans and grants. The existing program would operate in the existing boundaries of that Coal Tax allocation. The million dollars would be made available for loans and grants and by way of existing statute, a "return on investment" clause could return two and one half times on investments on those successful companies.

{Tape : 2; Side : B; Approx. Time Counter : 9.2}

Sen. Tester asked what would happen if this was funded and the Montana Power capital gains comes up short. He said he supported the program but we should live within our means.

{Tape : 2; Side : B; Approx. Time Counter : 19.4}

Rep. Ohs. explained the appropriation process. The revenue projections come in and the numbers need to be balanced. Just because it is passed does not mean it gets funded.

Rep. Simon pointed out this was mostly a show of support for the program from this committee. The million dollars is the target but not cast in stone. He asked Peck about the Growth Through Agriculture program as it seemed like it could assist in creating the cooperative, and why couldn't they be together. They were providing market assistance and information which is what the developmental centers do, only have them specializing in cooperatives. Peck said the Growth Through Agriculture provides grants using federal dollars to put the cooperatives together. Rep. Simon asked if this Growth Through Agriculture money could be used to apply for the federal grant. Peck said this was an alternative.

Sen. Taylor clarified this number was in the Governor's budget. There has been some consideration for funding of this project. The Governor agreed this was viable and will commit to it. The task force spent a lot of time and research to come up with the funding mechanisms that would enhance agriculture. This committee should recommend this item.

{Tape : 2; Side : A; Approx. Time Counter : 23.5}

Rep. Ohs **MOVED** to recommend to the Appropriations Committee that the committee supports item #4.

The question was called. The motion **PASSED** unanimously.

Agriculture Check-Off Program

Gordon Higgins explained the Agriculture Check-Off Program will be introduced by Sen. Nelson in SB 18.

{Tape : 2; Side : B; Approx. Time Counter : 25.6}

Economic Growth/Foreign Capital Depositories

Rep. Simon said until there are people making applications, there was no money here. It could be a good idea for the future but it is a revenue source that hasn't even started yet and we are trying to divvy it up and take a portion of it.

Sen. Grosfield pointed out if the depository would land a few applications, everyone would be jumping for the bucks. He agreed this should be tied down. Chairman DePratu said he would like to see the structure in place to make use of the money should any develop. There is a reasonable possibility that something could happen. You are not committing any of the funds you are just putting the structure in place where they could be available if that should happen.

Sen. Taylor asked for any current data on the depository. Blouke said there were some very serious inquiries from very reputable financial institutions. The problem is that nobody wants to be first. They are afraid what will happen with the federal government. If it works, everyone will be scrambling for it. We are talking about continuity with the program.

Rep. Mood **MOVED** to recommend a committee bill to designate 25% of the revenues for the depository for economic development.

Rep. Simon asked about the money that accumulated in the fund and could they spend the money and for what. Rep. Mood said this would have to be worked out. Sen. Grosfield said along the same lines, more specifics were needed as to what portion of tax relief could be used to jump start research. Why was 25% used and not 33 or 50%? Blouke explained when the numbers were ran on the depositories, 25% would represent 3-4 million per year and would be an ongoing funding source. Sen. Sprague has a bill that would earmark 50% for tax relief. There would be a lot of competing interests for it.

{Tape : 2; Side : B; Approx. Time Counter : 37.5}

Sen. Taylor said he agreed with Rep. Mood's motion. Hopefully we could research the concerns and get this moving.

The question was called. The motion **PASSED** unanimously.

BUSINESS RETENTION, RECRUITMENT AND EXPANSION

Business Recruitment Office

Rep. Ohs discussed the Business Recruitment Office and the insights and concerns brought forth by Mr. Potter from Idaho. He noted the committee grasped the perception that Montana needed to institutionalize this, have stability and accountability and be able to stand the test of time. The committee was in agreement on that discussion and the best way to do that is to institutionalize economic development by formulating a board or commission. This was one idea which may take time to develop. Basically, this would be one super board, high profile and able to withstand political changes. The board of 11 members could be changed. There are some key components that are important. The board would have three project managers covering agriculture, business and technology, or research and development. The board would hire a director who would do the business recruitment. Subcommittees would support the three project managers. The continuity and the ability to react to economic times, to develop research and to foster the total business climate would all be under the responsibility of this board and director.

Committee Discussion

Sen. Tester noted apparent differences in Montana compared to Idaho. Accountability was critical in this situation. He was concerned that the complexity of the plan would tend to lose some of the components where the Idaho structure seemed simple in that Mr. Potter was accountable to the board.

{Tape : 2; Side : B; Approx. Time Counter : 41.4}

Chairman DePratu said the difference is that Idaho has 5 regional setups and Potter was only interested in recruiting. Part of our charge was to be able to help existing Montana businesses increase and create new jobs as well as recruiting new businesses. This structure had three project managers covering each of the areas and then are accountable back to the board.

Rep. Simon said a board would create accountability. If the executive director does not perform, he has to respond to that board. This board would set up an autonomous relationship which takes politics out. This would ensure continuity.

{Tape : 2; Side : B; Approx. Time Counter : 44.3}

Sen. Grosfield said there were only two items on the list of seven that were similar to the Idaho example. Other items on the list were Montana specific and were a big challenge. The Executive Director hired in Montana would have to work in all these areas on a statewide basis.

{Tape : 2; Side : B; Approx. Time Counter : 47}

Sen. Tester asked about funding in the program to cover the seven items. Rep. Ohs said the committee had to decide first if this was a good idea. Sen. Tester said he was concerned about accountability, though the long-term, non-political tone was good. It was important to represent all segments of business in the state when looking at business recruitment and expansion.

Rep. Tuss asked how this board and program managers could interact with existing economic development groups. Rep. Ohs replied that working together would be crucial and should be structured so they did. Rep. Tuss asked if this was competitive to Bear Paw. Rep. Ohs said they would work well together. Rep. Tuss asked if there was enough money to hire the director. Rep. Tuss pointed out the need for audits. She said they have experience of giving companies tax breaks and then three years later they are out of compliance.

{Tape : 2; Side : B; Approx. Time Counter : 51.1}

Rep. Swanson asked about the long term concept. One of the strengths was funding from private businesses. She asked if this would be another government agency and would it be taking this away from state agencies that are currently doing them. Rep. Ohs replied that the Idaho example was one city where the Montana proposal covers the entire state. This could be structured to look for private money. Parts of state government that are doing this now would need to track what they are doing. The danger here is creating another bureaucracy.

{Tape : 2; Side : B; Approx. Time Counter : 53.2}

Sen. Taylor agreed accountability needed to be written into the proposal and include major goals so they could be reached. These could be reviewed by the Legislature. The diluted efforts now are not coordinated. This board would not only provide the structure for the business climate in Montana but review some of the development pieces and continue them. This board has been missing from Montana's economic development and should be given a chance to succeed.

Rep. Swanson said her sense of what had been lacking was a strategic plan about where we are going with Montana-appropriate businesses. She pointed out the need for this group to develop a strategic plan initially.

Rep. Swanson said that care should be taken so the board did not duplicate what Commerce was already doing. She asked where this proposal might overlap with existing programs.

Rep. Simon agreed that a strategic plan was needed that would lay out goals and plans. He stressed the importance of reviewing

public policies to see if they address the goals so there was a conduit not a barricade. He suggested the plan be the first thing for the board to do.

Chairman DePratu said the committee could not come up with all of the details but the overall concept; then turn it to a board to attract the best in their fields with good background and experience, on a long term basis.

Rep. Swanson pointed out the development of the bill needed to bring specific details about what the group should do. She was concerned about one time funding which would be gone in two years. She said that no one, who was top in their field, would leave another job knowing the funding only lasted two years. Rep. Ohs said we were open for ideas on funding and longevity should be part of the funding process.

Rep. Tuss asked who this board would report to. She said it was important that they report back to the Legislature. She asked if the economic development people from Commerce would be brought into the Governor's Office. Knowing that the Idaho project was successful and private enterprise was part of that success, she asked if there was any idea of transitioning this into the private sector in 8-10 years and provide a statutory appropriation for those first 8 years.

{Tape : 3; Side : A; Approx. Time Counter : 8.1}

Sen. Taylor replied this was a good point but organizations in Montana would be effective if we could attract good paying jobs. If there is some strength to this board and they do a good job it would be easy to look for private financing once you get going. He pointed out that there should not be duplication. If another person in Commerce is doing that job, then it should be folded into this group. The strength of this project is the unity, working for the same organizations.

{Tape : 3; Side : A; Approx. Time Counter : 9.5}

Rep. Mood pointed out that there appears to be gaps in the Administration and various agencies economic strategy. There has been no consistent effort made or consistent thought of what Montana's future economy will look like. For example, when Montana ended up 50th in terms of average income in this state, the Department of Agriculture, Department of Commerce and the Governor's Office put together a task force. He asked the committee how much easier it would be if an individual could report to the committee on the findings on economic development. Continuity into the future on the economic development plan will require someone like this director to advise the Legislature what is needed to help develop Montana's economy.

{Tape : 3; Side : A; Approx. Time Counter : 11.7}

Rep. Swanson noticed two gaps in the makeup of the board, one being no one representing manufacturing and the other was the need to represent small business. She said small business should be defined with number of employees. There are 96% of small business have 9 employees or less and these should be represented. Rep. Simon asked if a small business with three employees could afford to take a week off to be represented on the board. If you get too small it would be hard to find someone to serve. Rep. Swanson pointed out that small business had different constraints on their businesses, but they should be represented on this board.

Sen. Grosfield noted the committee was searching for a new paradigm for Montana. Stability was a key and this kind of structure could provide this. We don't want this effort to change with every change in administration or every change in directors. A long five year term would go beyond the Governor's term. He noted that an outside entity could have a better perspective and could criticize the institutions. He liked the representation from the mining industry and the wood products industry on the board. The bill would have to set out members and talk about goals. The question is how does the board interrelate with the existing bureaucracy.

{Tape : 3; Side : A; Approx. Time Counter : 17.4}

Peter Blouke explained the handout titled: Board of Economic Revitalization, Research and Commercialization.

EXHIBIT (joh00a04) He said one of the major parts of the Jobs and Income Proposals was the creation of a research and commercialization committee. Based on discussions, Mr. Potter's presentation, and discussion with committee members - the idea of creating an oversight committee has appeal. The business recruitment function placed under the board for business recruitment activities makes a lot of sense for continuity and cross between administrations. The EQC model was looked at as a model to emulate. The EQC statute outlines state policy. One of the primary roles of the board would be to write that policy. Blouke read the Goals and Duties (See Exhibit 4). He noted the concern was the potential for more bureaucracy and the overlap between current activities within the departments.

Blouke said one of the reason for the proposals was there has not been enough progress made in these business development areas and that more resources were needed to accomplish this.

Sen. Taylor asked why the previous programs did not work. Blouke described the EQC, a powerful group of people that agencies have

to come before to justify what they are doing. They have a very articulated policy related to the environment and state agencies are measured against that policy. Today there is no analogous economic focus that has supporting resources.

Sen. Grosfield pointed out this would change policy on an on-going basis. He had some concerns that the group be balanced. Chairman DePratu said the board should be removed as much as possible from politics. Sen. Grosfield asked how this board would interact with the Legislature. Rep. Simon noted there were a lot of boards that did not have legislator members, that worked fine. Putting legislators on the board would appoint them every two years and there would be trouble with continuity.

{Tape : 3; Side : A; Approx. Time Counter : 37.6}

Sen. Taylor said they could come before an overview committee from the Business and Labor Committee. Rep. Simon clarified there was a proposal to change the interim committees so there would be a joint interim business and labor committee.

Rep. Swanson said the main reason to have legislators on this board would have legislators who have a vested interest in what that group has been doing because they have been participating.

{Tape : 3; Side : A; Approx. Time Counter : 44.1}

Rep. Ohs suggested cutting the number to one House member and one Senate member. Part of the reason EQC was successful was because they have legislators on it. The oversight of the programs would be better if there were some legislators.

Rep. Tuss said there was merit of having legislators on the committee. She did not think one from each house would be satisfactory but two from each. Sen. Taylor said this was thinking like government again. This should be kept simple. The more members you have on the board the longer it will take. If legislators are needed there should be only two. Rep. Tuss pointed out that legislators understand a number of businesses and would provide good representation.

Blouke clarified that the board had three functions, overall economic development responsibility, business recruitment and research and commercialization. You would want a good cross section of people and legislators have a perspective.

Rep. Ohs pointed out the need to keep it simple. It should not be too broad. Chairman DePratu said the most effective boards had the smallest number. He said we were here to make change and create structure and to shake up the system a little bit.

Sen. Grosfield said we were talking about a huge topic and several subcommittees on a statewide basis. A lot of the work might be done in the subcommittees. He pointed out that the committee seemed to be in favor of a board, thinking in terms of a policy statement.

Rep. Simon said an 18 member board is okay and useful for the variety of ideas.

{Tape : 3; Side : A; Approx. Time Counter : 59.2}

Blouke handed out Expansion Management magazine, **EXHIBIT (joh00a05)** that he said ranked the states in regards to encouraging a good business climate.

EXHIBIT (joh00a06) EXHIBIT (joh00a07) EXHIBIT (joh00a08) EXHIBIT (joh00a09) WERE GIVEN OUT OF ORDER DURING MEETING.

Rep. Simon **MOVED** to adjourn.

ADJOURNMENT

Adjournment: 4:52 P.M.

SEN. BOB DEPRATU, Chairman

DEB THOMPSON, Secretary

BD/dt

EXHIBIT (joh00aad)